

85th Legislative Session – 2010

Committee: Joint Appropriations

Monday, February 01, 2010

P - Present
E - Excused
A - Absent

Roll Call

P Ahlers
P Burg
P Bartling
P Dennert
P Hundstad
P Wismer
P Novstrup (Al)
P Brown
P Carson
P Deadrick
P Peters
P Wink
P Haverly
P Putnam
P Hunhoff (Jean), Chair
P Tidemann, Vice-Chair

OTHERS PRESENT: See Original Minutes

The meeting was called to order by Senator Jean Hunhoff.

Governor's Office

Marty Davis, Financial Officer, presented the proposed FY11 budget for the Governor's Office.

The budget includes the Office of the Governor, the Governor's Contingency Fund, and the Lieutenant Governor. It is funded primarily from the State General Fund. For FY11, the Governor recommends \$2,717,761 and 22.0 FTEs. This is an increase of \$7,395 or 0.3% from the FY10 budget. This increase involves health insurance and space billings. The budget also includes a reduction of 1 FTE.

Ms. Davis told the Committee the Office of the Governor transferred \$88,566.94 from Personal Services to Operating Expenses in FY09 primarily for membership fees for the Western Governor's Association, the Midwestern Governor's Association, the National Governor's Association and the Midwestern Higher Education Compact. Ms. Davis said transfers are made in order for management to meet obligations of the Office. Transfers in FY07 involved a contract for representation in Washington, DC on a farm and energy bill; and a small amount for computer upgrades. Transfers in FY06 were for expenses related to the final report for the Science & Technology Authority; and transfers in FY05 were for membership expenses.

Senator Ahlers asked how membership fees were paid when transfers were not made. Ms. Davis said they were paid with other funds available due to lesser operating expenses.

Senator Bartling asked if the transfer in FY07 for legal expenses was the total contract cost. Ms. Davis said no. The one-year contract for \$65,000 had to be extended for 4-5 months.

Senator Hunhoff asked how much had been expended from the Governor's Contingency Fund for mine expenses from FY05 to FY09. Ms. Davis said other than the \$45,000 for the final report; no other funds had been expended on mine expenses. The final report cost approximately \$75,000.

Ms. Davis explained that the Contingency Fund was used for unanticipated expenditures such as sponsoring exchange programs, Tribal Arts, hosting of dignitaries, Vietnam & Korean War memorial expenses, and matching funds for grants. Senator Haverly asked for an explanation of "unanticipated". Ms. Davis said items not budgeted elsewhere or expenses that are not budgeted for at all. Senator Hunhoff asked if both the Contingency Fund and the excess Personal Services were used for unanticipated expenses. Ms. Davis said yes. Excess funds in Contingency Fund are transferred back to the Governor's operating expenses to pay for memberships.

Bureau of Finance and Management

Commissioner Jason Dilges and Finance Officer Jim Neiles appeared before the Committee to present the recommended FY11 budget.

The Bureau of Finance and Management's budget is funded with general funds and with user fees from state agencies. For FY11, the Governor recommends a decrease of \$574,630 from all funds combined. The recommended budget includes \$8,134,630 in General Funds, \$6,000,000 in Federal Funds and \$7,065,660 in Other Funds totaling \$21,200,290 and 36 FTE.

Major Expansion and Reduction as Recommended by the Governor

- Elimination of 1 under-utilized FTE in the Commissioner's Office.
- Scheduled payment reduction.

- Combined increases of the Building Authority and the Health and Education Facilities Authority, both of which are informational budgets.

Department's FY10 Highest Priorities

- Eliminate structural deficit in the budget.
- Enhance accuracy and timeliness of the CAFR.
- Improve internal fiscal controls.
- Increase financial operations efficiencies.

Commissioner Dilges told the Committee the Bureau had added a new priority of coordinating state government stimulus reporting. This priority has become a much larger project than expected. The Bureau has spent considerable resources in their attempt to get the stimulus funds spent and out into the economy of the state. In addition, the Bureau faces the challenge of stimulus reporting.

Commissioner Dilges updated the Committee on the centralization of specialized accounting functions project. This project was presented to the Legislature in FY09. Five FTE were transferred from other agencies to BFM and that allowed BFM to recruit high caliber accounting individuals to help with the state's reporting process. The Bureau is on track to have the Annual Financial Report published in March.

Commissioner Dilges said the Bureau was able to fill the 5 positions rather quickly; two came from within state government and 3 from other areas. Two of the FTE came from within state government and 3 from other areas. Senator Hunhoff asked if the 2 from state government were a part of the 5 FTE eliminated from the other agencies. Commissioner Dilges said no.

Commissioner Dilges briefed the Committee on the informational budgets for the Building Authority and Health & Ed Facilities Authority. Because they are quasi-governmental entities, their expenses do not show up on the state's financial system nor do their FTE hours correlate back to the state's payroll system. However, their budgets are tracked by the Bureau of Finance & Management. Commissioner Dilges said the changes to their budgets largely reflect the fact that they are issuing more bonds. The authorities charge fees to facilitate bonds. The governing boards are appointed by the Governor and act independently of the Governor. The authority budgets are prepared in May of each year and once approved the Bureau loads the documents and makes adjustments accordingly.

Senator Haverly asked if the fees generate the funds to operate the Authorities. Commissioner Dilges said yes, both authorities are self-sufficient with funds coming from the fees collected. The fee is typically a 3% fee. When more revenue is collected than needed to operate, the difference is transferred to the General Fund. Senator Haverly said with additional bonds being issued will there be more revenue. Commissioner Dilges said the authorities are currently

tracking recovery zone bonds which will be issued in the spring or summer and those fees will show in the FY11 budget.

Representative Peters asked for additional information on bond activity and fee increases.

Commissioner Dilges spoke to the reduction of 1 FTE and \$34,986 of other fund expenditure authority.

Senator Hundstad asked if the Authority employees were considered FTE. Commissioner Dilges said the Authority employees are not part of the state payroll system, health insurance or retirement and they do not share office space with BFM. For reporting purposes the Bureau tracks their FTE utilization. The FTE count is included in the Bureau's total.

Commissioner Dilges explained the difference between a vacant FTE and unutilized hours and talked about managing budgets by holding a position open to pay the bills or to come to the Appropriations Committee for an adjustment.

Senator Haverly commented on his concern of excess personal services dollars and the agency continually transferring funds to other expenses, using it as a contingency fund.

Commissioner Dilges said the Legislature gives the agencies tools to manage the department, and appropriates the money. Managing the dollars is paramount to getting the deficit under control. Moving funds has been the most efficient tool in these tough economic times. The funds are not excess but unutilized.

Representative Burg commented that the LRC staff needs to know when this type of transfer is taking place. Commissioner Dilges said BFM has an open door policy with LRC staff. Commissioner Dilges said he feels his budget is what he has to spend over the next year and works to manage within those restraints. Once there is a budget it's up to the manager to how to spend it, and as a manager they have the ability to move the money to where it is needed. Budgets are not static.

Representative Peters asked about the policy for promotions and salary increases. Commissioner Dilges said a Senior Committee meets to review reclassifications and promotion requests. No promotions are granted without the Committee's approval and one of the questions they ask is how will the department pay that employee. If the agency can not pay the salary they do not get the promotion. Each agency manages the salary increases on its own and may at times hold a position open to cover the costs. Representative Peters asked if the promotion is funded with other funds, does the Committee know where the funds come from. Commissioner Dilges said yes. As it relates to the Informational Budgets, their Boards would approve those increases after reviewing their revenue structure.

Senator Ahlers commented on the transfer of money and the things the funds are spent on. Commissioner Dilges said he felt it was more important that the people's money is spent wisely and that not one dollar more than appropriated is spent.

State Government Energy Program:

Commissioner Dilges told the Committee only \$100,000 of the \$6,000,000 for this program has been spent, the final plan is still being developed. There are two main components to this program, the Energy Efficiency Block Grant totaling \$9.5 million that will go to local entities and the SEP Grants (State Energy Program) totaling \$23 million. All money has to be spent by March 2012. The Bureau of Administration is administering the program; however the Bureau of Finance & Management is handling the funds like it does other pool funding.

Representative Burg asked for a fact sheet on this energy program.

Department of Labor

Ms. Pamela Roberts, Secretary of the Department of Labor (DOL), introduced staff members present at the meeting – **Mr. Dick Flemmer**, Administrative Services Director; **Ms. Marcia Hultman**, Director of Workforce Services; **Mr. Don Kattke**, Unemployment Insurance Director; **Mr. James Marsh**, Director of Labor and Management; **Mr. Mike Ryan**, Director of Field Operations; and **Ms. Dawn Dovre**, Public Information Officer. Distributed was a PowerPoint presentation outlining the department's FY11 budget request. (**Document #1**)

The unemployment insurance provides temporary financial assistance for people who have lost their jobs, through no fault of their own, until they find other jobs. Eligible claimants receive up to 26 weeks of state benefits. A federal extension provides an additional 34 weeks for unemployment insurance (UI) exhaustees. This extension ends February 28, 2010, for new enrollees.

Senator Hunhoff asked about the impact seasonal employees have on unemployment insurance. Secretary Roberts responded that seasonal workers can apply for state UI benefits. Since most seasonal workers receive state UI benefits for less than 26 weeks, they would not use the additional federal UI benefits.

Representative Wink asked about the determination of people actively seeking jobs. Ms. Roberts said that the rate is determined through a survey with the US Department of Labor. If a person is not actively seeking work, then they are not included in the UI rate.

Secretary Roberts reminded the committee that the national recession began in the United States in December 2007. South Dakota was impacted by the recession in November 2008 when hiring

stopped and layoffs began. As of November 2009, the recession continued to impact the state with a 5% jobless rate, continuing of layoffs, and minimal hiring.

Page 8 of Document #1 shows a comparison of the UI claimants, benefits paid, job openings, and number of unemployed people in the state for the past three years. Secretary Roberts noted that the UI claimants have increased from 2,920 in January 2008 to 8,698 in January 2010. The total UI benefits paid (both state and federal) are \$2,403,468 compared to \$705,507 in January 2008. Currently, South Dakota pays \$1,513,765 per week in UI benefits to the 6,333 UI claimants. Secretary Roberts noted that the state UI claimants are paid out of the state UI Trust Fund.

Senator Hunhoff requested the DOL provide further details to the chart on page 8 regarding the current workforce.

Senator Haverly requested the DOL provide a list of the businesses lost in South Dakota due to the recession and the overall number of jobs in South Dakota.

The local offices provide rapid response meetings, re-employment services (aptitude testing, career counseling, and job search assistance), and workforce training (short-term training programs, work experience, and on-the-job training). The rapid response meetings occur with staff being located on the scene when a layoff occurs. Staff explains the services available, such as help to get another job and how to apply for UI benefits. There are 19 statewide offices.

Secretary Roberts stated that the DOL has received additional stimulus money over the past few months. Some of the projects funded with stimulus money include:

- Summer Youth Stimulus Work Experiences – granted \$2.9 million in stimulus funds, served 818 youth over a 4 month period, and averaged \$4500/participant;
- Adult Job Training – \$1.2 million in stimulus funds received and 162 people participated;
- Dislocated Worker Job Training - \$953,000 in stimulus funds received and 175 people participated; and
- Green Jobs Training Grant - \$2.5 million stimulus funds received.

The Green Jobs Training Grant is from the State Energy Sector Partnerships and Training Grants. It is designed to teach workers essential skills for emerging industries, including the renewable energy and energy efficiency sectors. South Dakota's project will provide training for high-wage occupations in high-growth energy and other green-related jobs. Focus will be on renewable energy, biofuels, carbon capture, and energy efficiency. The DOL expects about 300 South Dakotans will benefit from the training that will be available under this grant. A press release titled "Labor Department receives \$2.5 million green jobs training grant" was distributed. **(Document #2)**

Senator Hundstad asked if people will need to be trained for green jobs or if there are current openings. Secretary Roberts responded that part of the grant is to perform an analysis for green jobs and determine what green jobs will develop in the state. The DOL helps fund green job programs at Mitchell Technical Institute and Lake Area Technical Institute.

In response to Senator Hunhoff's question, Secretary Roberts said that the Green Jobs Training Grant goes directly to the DOL and is dispersed to the technical schools. The technical schools had to develop green job proposals that would require on-time funding to get the program started.

To address the increased UI activity, the DOL has:

- Added additional phone lines;
- Extended call center hours;
- Added additional call center staff;
- Increased promotion of internet filing; and
- Added additional investigators.

Secretary Roberts stated that the DOL's priorities have not changed from last year. The focus is Workforce 2025 including:

- Live Dakota – Retain current workforce;
- Grow Dakota – Prepare students for future workforce;
- Build Dakota – Address industry needs;
- Dakota Seeds – Match students to internships; and
- Dakota Roots – Recruit workers for hard-to-fill jobs.

The Department's primary sources of funds are federal grants and contracts which provide the majority (96%) of the agency's revenues. The DOL also receives general fund appropriations (3%) for administering the state's labor laws and human rights statutes and for matching funds required under the Adult Education and Literacy grant. Other funds comprise 1% of the DOL budget.

For FY11, the DOL requests \$36,137,950 and 356.5 FTEs. The request is a reduction of \$20,253 in federally funded personal services and 1 FTE from FY10 and an increase of \$123,136 for the state health insurance. The total budget request consists of \$34,827,066 in federal funds, \$876,167 in general funds, and \$434,717 in other funds.

In response to Senator Hunhoff's question, Mr. Flemmer stated that other funds are user fees collected for worker's compensation automation projects and from the operations of the six professional licensing boards

Secretary Roberts stated that the DOL has a total expenditure authority of \$41,886,567 and projected expenditures of \$42,889,320 for FY10. The department does not always know the amount of grants that the department will receive from the federal government. The department

expects to have higher expenses than what are projected for FY10, therefore Senate Bill 49 will adjust the FY10 expenditure authority for DOL.

In response to Senator Brown's questions, Secretary Roberts stated that the state UI Trust Fund and the federal UI Trust Fund are not included in the DOL budget.

In 2009, the state received \$1,109,064 in federal contingency funds. For the first quarter of 2010, the state received \$318,339. Secretary Roberts informed the committee that the DOL is uncertain the total amount of federal contingency funds that will be received in 2010.

Secretary Roberts explained the department's FTE utilization. In keeping with the reduction in federal labor funds, the department cut 20.5 FTEs in administrative positions through automation and reorganizations over the last 11 years. At the same time, reduced quarterly federal funding caused the DOL to leave vacant a number of front line positions.

High numbers of unemployment insurance claims in the fall of 2008 increased the flow of federal quarterly contingency funding to the department. Workloads rose dramatically and between March and November, and the DOL filled 37 positions: 16 Employment Representatives, 2 UI Claims Examiners, 2 UI Adjudicators, 2 UI Claims specialists, 3 Sr. UI Claims Examiners, 1 UI Tax Representative, 1 Staff Assistant, 1 Secretary, 4 Labor Program Specialists, 3 Investigators, and 2 Economic Analysts.

As of the February 1, 2010 payroll, the department is on pace to utilize all 357.50 FTEs budgeted. The DOL needs the additional staff to pay UI claims and to assist the unemployed in finding new employment and returning to the work force.

Secretary Roberts noted that the DOL may not need to hire additional staff to address the green grant. Internal adjustments can be made and no additional staff should be needed.

Secretariat Administration

For FY11, the Governor recommends a total budget of \$18,955,253; comprised of \$18,755,253 in federal funds and \$200,000 in general funds. The request is a decrease of 1.0 FTE and \$20,253 (federal funds) to adjust the budget to reflect actual usage of FTE. An increase of \$18,590 in federal funds is requested for the state health insurance.

In response to Representative Burg's question, Secretary Roberts stated that no general funds are used to pay administrative salaries. A federal mandate requires that all executive pay come from the federal fund.

Unemployment Insurance Services

For FY11, the Governor recommends a budget of \$4,920,084 in federal funds and 92 FTEs. The recommendation is a \$31,486 federal increase for the state health insurance.

Field Operations

For FY11, the Governor recommends a budget of \$10,718,628 in federal funds and 192.5 FTEs. The recommendation is an increase of \$64,875 for the state health insurance.

Secretary Roberts commented that the division used 189 FTEs in FY09 and should use 192.5 FTEs in FY10.

State Labor Law Administration

For FY11, the Governor recommends a budget of \$1,511,985, consisting of \$676,167 in general funds, \$401,101 in federal funds, and \$434,717 in other funds, and 20.5 FTEs. The recommendation is an increase of \$8,185 for the state health insurance.

Representative Burg and Senator Ahlers asked about the accumulation of funds in the Future Fund. Secretary Roberts stated that the state statute establishes a fee that businesses pay which is deposited into the fund. This fee is separate from taxes or the UI surcharge.

Senator Hunhoff requested the DOL provide a list of the FY11 grants including recipients, amount received, and amount dispersed to other locations.

Professional Licensing Boards

For FY10, the budget was \$2,801,528, and 538 FTE. The only FY11 increase is for the state health insurance.

Secretary Roberts introduced the six board directors: **Ms. Nicole Olson-Kasin**, Board of Accountancy; **Ms. Carol Tellinghuisen**, Board of Barber Examiners; **Ms. Kate Boyd**, Board of Cosmetology; **Mr. Mike Richards**, Plumbing Commission; **Mr. Mark Humprys**, Board of Technical Professions; and **Mr. JJ Linn**, Electrical Commission.

Senator Haverly asked about the boards receiving general funds. Secretary Roberts responded that the license fee money enters the system as other funds and no general funds are used.

Additional information distributed to the committee:

- “DOL Post-Secondary Training Investment (**Document #3**); and
- A listing of the funds dispersed to the technical institutes. (**Document #4**)

Unemployment Insurance Trust Fund Presentation

Electronically distributed to the committee was a handout entitled “Unemployment Insurance Trust Fund”. (**Document #5**)

Secretary Roberts stated that the weekly UI benefit payment has been trending upward since 2007. The UI Trust Fund was holding steady until 2009 when benefit payments increased. In 2009, the total income was \$31.6 million, which includes the one-time infusion of federal funds. The benefits paid in 2009 totaled \$63.6 million leaving the UI trust fund with a negative \$7.7 balance.

The DOL estimates that the state would not see as many layoffs and the amount of UI claims to the UI Trust Fund would not be impacted into 2010. It was initially projected that the benefits paid out would be about \$40 million. However, after the first three weeks of claims have been reported for 2010, the annual UI benefits paid estimate was increased to \$65 million for 2010.

During the 2006 Legislative Session, the wage base was increased from \$7,000 to:

- \$8,500 in 2007;
- \$9,000 in 2008;
- \$9,500 in 2009; and
- \$10,000 in 2010 and later.

At that time, the maximum contribution rate increased from 7% to 8.5% and the negative employer accounts was changed to a 4.78% interest rate. The goal of the increase was to get the main users of the system – those that layoff seasonal workers – to pay a penalty if the amount was negative for two years.

In response to Representative Wismer's question, Secretary Roberts stated that the 2006 Legislation Session created a starting date and implemented a penalty for all negative balances from that date forward.

The DOL determined that \$25 million was needed in the UI Trust Fund. After the 2006 reform legislation, the UI trust Fund was gradually increasing and the benefits were stable due to the good economy.

The UI Trust Fund system is designed so an automatic surcharge is implemented if no action is taken to increase the UI Trust Fund balance. Secretary Roberts stated that federal loans are a solution that allow states and businesses to borrow with no interest, penalties, or fees, but only through 2010. Businesses that are not up-to-date by the end of the year will pay penalties.

In response to Representative Putnam's question, Secretary Roberts said that once the UI trust Fund reaches \$11 million or less, a automatic surcharge is applied to all businesses in the state. The surcharge remains until the balance is greater than \$16.5 million. Secretary Roberts explained how the surcharge is calculated.

After committee discussion, Secretary Roberts stated that the UI Trust Fund needs \$70 million in resources to get to the end of the year. The federal government recommends having \$98 million in the UI Trust Fund.

For calendar year 2010, the DOL is projecting South Dakota businesses to pay the maximum 1.5% surcharge rate to the base wage for all four quarters. The total amount paid in surcharge fees is estimated to be \$44.2 million with \$65.4 million in benefits payments.

Secretary Roberts stated that the DOL Council is concerned about the possibility of tax rates changing every year in addition to the surcharge. A bill submitted this legislative session will address the surcharge for the future.

Senator Ahlers asked about businesses that are not contributing to the fund. Secretary Roberts stated that there are six businesses at the zero rate. They are not paying because they did not have layoffs. The proposed bill will address an adjustment for those businesses to require them to pay the surcharge.

Secretary Roberts informed the committee that if the bill passes this legislative session, then the DOL estimates that the maximum 1.5% surcharge rate to the base wage will only be paid in the first and second quarter because the UI Trust Fund will reach \$11.2 million. A surcharge will still be applied at a lower rate for the third quarter.

In response to committee discussion, Secretary Roberts stated that there is no federal provision regarding the duration of the increased benefits and when the provision could be rewarded. This is an incentive to increase benefits for states getting money on short-term. The money is deposited into the UI Trust Fund, and can be used for any benefits paid. The Legislature has the ability to eliminate the enhancement provision.

Bureau of Information and Telecommunications

Mr. Otto Doll, Commissioner of the Bureau of Information and Telecommunications (BIT), distributed a handout that outlines the agency's budget request. (**Document #6**)

For FY11, the Governor recommends a decrease of \$1,027,036 in total funds and 4.0 FTEs from FY10. The FY11 recommended budget consists of \$5,768,686 from general funds, \$5,160,816 in federal fund expenditure authority, and \$42,335,014 in other fund expenditure authority, for a total budget of \$53,264,516 and 376.3 FTEs.

Commissioner Doll stated that the four FTES eliminated are two developers, one tech support representative, and one telecommunications operator. The budget will be reduced by \$162,416 in other funds to reflect the elimination of 4.0 FTEs. Other budgetary changes include:

- A decrease of \$250,000 in other fund expenditure authority in Development;
- A decrease of \$250,000 in other fund expenditure authority in the State Telephone Network;

- A decrease of \$500,000 in other fund expenditure authority in Network Technologies; and
- An increase of \$135,380 (\$18,432 general funds, \$116,948 other funds) for the employer paid portion of the state health insurance plan.

State IT Usage

Commissioner Doll informed the members that the average number of requests from across the state to the BIT helpdesk is about 120,000 work orders per year. Although there is variability, the level of activity is between 8,000 and 12,000 per month.

About 60% of the requests to the helpdesk need to have further work performed by the BIT technology group. The support technology staff handles about 5,000 request per month and about 60,000 requests annually.

Commissioner Doll said that the storage capacity in the state is increasing. As the state progresses into the information age, certain information will remain on the system for longer periods of time.

Utilization of the state network has increased over the years. Commissioner Doll stated that BIT attempts to squeeze more bits through the network by implementing new systems, servers, and consolidations. The state was able to buy-back some space in 2007 and 2009. About 1.9 million characters of information cross the network daily.

The internet capacity has really increased since 2006 and will continue to increase as people use the internet to access and transfer information. The capacity was increased over the years to accommodate the higher level of use.

Representative Wink asked about the process to increase the internet capacity. Commissioner Doll stated that BIT has contracts with internet service providers. When the usage increases, BIT is able to ask for a larger bandwidth from the contract provider.

Commissioner Doll explained to the committee that the state radio call volume should be steady. There was growth when more agencies (law enforcement, fire departments, ambulances, etc) became part of the system. The usage is steady and is not expected to increase. The BIT has not added a new tower to the network in the last year. The funds spent are to manage the current and evolving technology.

BIT Goals

BIT wants to be viewed as a valued partner in state government. There are three areas that BIT provides service:

- State radio;
- Public broadcasting; and

- Information – computers, information system, and telecommunications.

Representative Putnam asked about the federally mandated narrowbanding. Commissioner Doll stated that the federal communications commission (FCC) placed a mandate for all users of land mobile bands. This mandate will make more efficient use of the highly congested VHF and UHF land mobile bands.

Commissioner Doll showed the committee a short presentation on the South Dakota Public Broadcasting (SDPB). The link to the presentation is located on the handout entitled “South Dakota Public Broadcasting (SDPB)”. (**Document #7**)

The project portfolio management concept is employed throughout the state. In this process, BIT attempts to create a series of steps the agencies take to make the best IT investment. This allows BIT to determine if the IT costs are being lowered and helps make the technology purchases more efficient.

Representative Tidemann asked about client performance surveys. Commissioner Doll responded that not all aspects of BIT are surveyed. However, every time the support services group responds to a work order, an email survey is sent to the person requesting the service upon completion.

In response to committee questions, Commissioner Doll stated that BIT has 296 IT staff that provides service for all 175,000 clients. There is not enough BIT staff to have an employee at every state DDN or internet location. In 1995, BIT consolidated and reduced the number of FTEs in state government. Commissioner Doll informed the committee that it has took BIT 12 years to utilize the same number of FTEs that were previously allotted before the consolidation.

Senator Ahlers requested the historical data of the BIT consolidation and the total amount the consolidation saved the state.

Commissioner Doll stated that the BIT is always looking for strategies that will help save the state money, especially in the current economic condition. He explained two projects – the Department of Social Services implementation of the new MMIS system and the Department of Corrections implementation of the new Offender Management System – that BIT is actively working on developing and installing.

Last session, the Legislature gave BIT the authority to apply for a Broadband Mapping Grant. The grant is with the US Department of Commerce and part of the federal stimulus package. The National Telecommunications and Information Administration (NTIA) is awarding \$240 million in 80-20 matching grants to the states. South Dakota was awarded \$1.9 million on December 22,

2009. Commissioner Doll stated that some of the deadlines in the timeline will not be met, but the national broadband map could be posted by February 17, 2011.

The data that will be included in the national broadband map will include:

- Address Data or Census Block Data for areas greater than 2 square miles;
- Availability Area Data (Wireless Only);
- Residential Broadband Service Pricing and Speed Characteristics by County;
- Last-Mile Connection Points Data; and
- Middle-mile and Internet Backhaul Connection Points Data.

The first wave of stimulus money from NTIA is directed to broadband infrastructures in the state. South Dakota will build fibers in the areas of the state that do not have the broadband capability.

Representative Wink asked if more FTEs will be needed. Commissioner Doll responded that a company called Broad Map Inc. won the bid through an RFP process and has a contract with the state for the majority of the mapping process.

State IT Expenditures

Commissioner Doll reminded the committee that there are two areas of BIT that receive general funds – State Radio and SDPB. The general funds for the state radio have slowly increased since FY03. There was a larger increase in FY10 due to replacing some Homeland Security Grant money that the state was no longer able to receive. The only other increase for the state radio is the employer portion of the state health insurance plan.

Representative Peters requested a breakdown of the other funds by agency that BIT receives funds.

General funds for the SDPB have remained relatively flat. There was a one-time increase of \$354,900 in FY09 for the DTV. The SDPB receives a fair amount of money from the federal government in grants and other sources.

Commissioner Doll stated that page 24 of Document #6 is a new chart that shows all statewide IT expenses from FY03 to FY10. This chart reflects the true cost of all IT services that are consumed in BIT. Major one-time projects (such as the MMIS system) are excluded from the chart. The bureau is trying to show that with efficiencies of new technology, increased cost, and increased usage, BIT is providing the state IT services for less than what was previously paid.

After lengthy committee discussion, Senator Brown suggested the BIT include in the chart another column that shows the state's large one-time IT investments.

Representative Peters asked about the BIT billings regarding A87 accounting standards. Commissioner Doll stated that the rates change based on recovery being under or over the A87

accounting standards. When BIT recovers too much money, the rates need to be lowered to ensure BIT only recovers what it spends. Each account needs to be within \$500,000 (about 1% of the operating budget) of zero, so the rates are adjusted to ensure the account balances remain in those levels.

Representative Peters asked about promotions and salary increases. Commissioner Doll said that BIT has a couple avenues for increasing a person's salary or position. A desk audit can be invoked by a person if they feel the work performed is higher than the work assigned for the position. A person can also apply for any open positions. The BIT does not have a committee that deals with promotions, but rather a three person management chain that reviews the issue.

Additional information distributed to the committee – "South Dakota Statewide Radio Communications System". (**Document #8**)

The BIT budget hearing will continue on February 4, 2010.

MOTION: ADJOURN

Moved by: Haverly
Second by: Peters
Action: Prevailed by voice vote.

Barb Bjorneberg and Lisa Shafer
Committee Secretary

Jean M. Hunhoff, Chair